

Relation between Organizational Climate and Employee Job Satisfaction in Banking Industry

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Abstract

The aim of the present study is to analyze the relation between two variables namely organizational climate and employee job satisfaction in banking industry. Total 400 respondents were selected from 20 branches of five public sector's and five private sector's banks. Exploratory factor analysis was applied for identifying the dimensions of organizational climate and employee job satisfaction. Pearson correlation test was used for assess the relation between both variables. Result revealed that organizational climate and employee job satisfaction are significantly correlated and organizational climate plays a vital role in employee job satisfaction.

Keywords: Organizational Climate, Employee Job Satisfaction, Correlation.

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1. INTRODUCTION

Organization is a group of people who work independently towards some common purpose and goals. Organizations are not physical structures, rather, they are people who work together to achieve a set of goals. People who work in organizations have structured patterns of interactions, meaning that they expect each other to complete their certain tasks in an organized way and, thus, help each other in accomplishment of their own tasks and in realization of organizational goals. Literally, organizations exist for various purposes such as profits earning, community welfare, providing comforts to people living in society, serving people etc. An organization can only survive when employees perceive themselves as part of organization. In other words, we can say that the wheels of organization are in the hands of employees. Human resources are utmost important to achieve excellence in business among all other resources. Thus, it's very clear that achievements of any organization heavily depend on its quality of human resources. The attentiveness regarding human resources in organization in terms of research is not a new phenomenon, since human beings spend three- fourths of their daytime in the organizations. The rate of changes is breath taking in the period of liberalization, privatization, and globalization, in the current scenario, organization of market economies face strong pressure to be both efficient and effective and produce value added outputs. An organization can only accomplish its efficiency and competitiveness goals if hire the right employees with right attitudes and skills for right position. In this competitive environment, human resource is only one factor which can make production excellent and organization can efficiently survive in the market. Organizations have realized that their survival extremely depends upon their ability to attract, motivate and retain key talents needed to meet breath taking business objectives and gain competitive edge.

For facing the competition, organizations are constantly changes and taking different steps to attract and retain expertise for future success, but control on talented manpower is not enough to fight the fierce battle of tough competition in the market. In this kind of situations there is also a difficult challenge in front of human resource manager that, how can we make a competitive and high performance climate in the organization to utilize the maximum potentials of the employees. Climate study had gained strong importance in the analysis of performing organizations. Numerous organizations through the sound and healthy climate has been able to adapt as per changing environment to achieve organization's goals and the list is even longer which died because lack of high performance climate. A strong climate creates association between organizational excellence and business success. Since last decades climate has appeared as a discriminating factor between failure and success of the organizations. For employee's retention, continuous learning, encouraging leadership and customer orientation, organizational climate has emerged as strong tool to incorporate success. If organizational climate is perceived as a motivational force then employees perceive themselves as part of their organizations and, thus, an organization can be able to survive in the present competitive world.

Pareek (1989) stated to Organizational Climate a result of communication among an organization's structure & design, policies & system, culture, leadership style and psychological needs of the employees. Organizational climate is a notion which deals with employee's perception regarding their working environment and influenced by management. Consequently, it affects the employee motivation and satisfaction. Organizational Climate is a blend of people's

perception and their attitude towards the organization, it may be weather good or bad, friendly or unfriendly, hardworking or easy going, suitable or non-suitable.

Similarly, job satisfaction is one of the most frequently investigated variables in organizational culture, behavior and other occupational phenomena, ranging from job design to supervision. In general, job satisfaction encapsulates an employee's feeling about his/ her job. Research, however, has revealed that job satisfaction is a multi-dimensional phenomenon, influenced by several internal and external factors, like the individual's values, principles, personality and expectations and the job's nature, the opportunities provided etc. Many different components of job satisfaction have been defined and studied, in the frame of a general effort to analyze and promote it (**Koustelios & Kousteliou, 1998**).

Therefore, organizational climate and job satisfaction are interlinked with each other and job satisfaction is fully dependent on organizational climate's factors. Any kind of change in climate's factors will be changed in the level of job satisfaction.

2. REVIEW OF LITERATURE

Hashemi and Sadeqi (2017) conducted a study to analyze the relationship between organizational climate and job satisfaction components among public sector (government) employees in Divandarreh city of Iran. To access the organizational climate various dimensions have been considered namely organizational goals, reward, role, procedures and communication. To test the relation between organizational climate and work culture, Pearson correlation test was applied. Result revealed a significant positive correlation between organizational climate and occupational promotion & pays and benefits whereas kind of job and satisfaction with supervisor was not found significantly correlated with organizational climate. Study concluded that a favorable organizational climate leads job satisfaction sense of good job designing and social protection of employees, which in turn increased employee morale, efficiency and productivity.

Putti and Kheun (2007) explored a strong relationship between two variables in their study "Organizational Climate and Job satisfaction relationship in a public sector organization". A sample of 161 respondents was taken from public organization in Singapore. The aim of the study was to analyze the correlation between organizational climate and job satisfaction in terms of structure, responsibility, reward, risk, warmth, support, conflict and identity. Job satisfaction was measured through work, supervision, pay, promotion and co-workers. Result revealed that job satisfaction is highly correlated with organizational climate. Findings indicated that reward is significantly correlated with promotion and identity is with work.

Gani and Shah (2001) explored in their study that banking industry of Kashmir is suffering to poor organizational climate condition as a whole and private sector banks are in worse condition than public sector banks. A sample of 3745 employees is universe of the study. The present study is based on 125 sample size. Results indicated that 66.4 percent employees are satisfied with their organizational climate exist in banks. Findings revealed that interpersonal relationship have highest score including objectivity and rationality whereas participative management, scope for advancement and training & development have less score as compare to others.

Kundn, M. (1985) made an attempt to investigate the "Perception of Organizational Climate and need of Satisfaction among bank employees". A sample of 42 bank branches from one region of Madras city was chosen for taking respondents and 60 bank officers were chosen by simple

random sampling method. Organizational climate and satisfaction were measured with the **Likert (1967)** and **Porter's (1981)** questionnaire respectively. Result revealed that decision-making and leadership process are poor in the organization and deficiency is accruing regarding fulfillment of social and security needs in all needed area. Findings revealed that organizational climate and need satisfaction variables are negatively correlated and esteem need also negatively correlated with the all organizational climate variables (excluding control).

3. OBJECTIVES OF THE STUDY

1. To identify the dimensions of Organizational Climate and Employee Job Satisfaction in banking sector.
2. To assess the relationship between Organizational Climate and Employee Job Satisfaction in banking sector.

4. HYPOTHESIS OF THE STUDY

There is no significant relation between Organizational Climate and Employee Job Satisfaction in banking sector.

5. RESEARCH METHODOLOGY

A. Population and Sample Size

The universe of the present study is banking industry of Uttarakhand. Out of which five public sector banks (State bank of India, Punjab national bank, Allahabad bank, Bank of Baroda and Central bank of India) and five private sector banks (HDFC, ICICI, AXIS Bank, Yes bank and ING Vysya banks) are selected from two districts namely Dehradun and Haridwar of Uttarakhand. Here it is noticeable that from November 2014 ING Vysya bank has merged in Kotak Mahindra bank and its all operational activities are being done on behalf of Kotak Mahindra bank. So during the survey Kotak Mahindra bank's employees considered for taking response. Total 20 branches of the selected banks (10 branches each sector) considered for survey. The population for this study consists to executives of public and private sector banks of Haridwar and Dehradun District in Uttarakhand. Here it is to be mentioned that executives means, employee of the concern bank who represents to bank. So, keeping in mind to this view, clerk, and managers are considered as employees in the study. Total 400 employees (200 from public sector and 200 from private sector) have selected on the basis of convenience sampling.

B. Instrument Design- There is one independent and one dependent variable in the study. To access the respondents' opinion, questionnaire is divided in two sections (section A for organizational climate; section B for attitudes towards the employee job satisfaction). Five point Likert scale used in the questionnaire for measuring respondents opinion (strongly disagree to strongly agree). All dimensions of organizational climate and employee job satisfaction are found out through the literature review. Questionnaire is reliable and well tested by the researcher under supervision of their guide. A brief description of each variable is as under:

(i). Organizational Climate

Organizational climate have been measured by 29-items scale developed by Blodgett & Bakir (2008). To measuring the organizational climate, seven dimensions have considered having 29 items, namely organization design, individual job characteristics, work relations, organizational policy, reward, support and grievance handling. Response taken by 5 point Likert Scale strongly

disagree to strongly agree. Organization design consisted 5 multiple choices such as organization`s objectives and goals are clear to me. Individual job characteristics having 5 multiple choices such as I gain satisfaction with my current job responsibilities. Work relations having 5 multiple choices such as I feel my input is valued by my peers. Organizational policy having 4 multiple choices such as recruitment and selection policy encouraged the morale of the employees. Reward having 4 multiple choices such as competent people here are the ones who are rewarded by the promotion system. Support having 3 multiple choices such as manager in our organization are really interested in helping us out in our development. Grievance handling consists 3 multiple choices such as people are encouraged to air grievances in meetings at all levels. The reliability of the organizational climate variable is .861.

(ii). Job satisfaction

Job satisfaction has been measured by 17-items scale developed by Spector, 1985. Job satisfaction is dependent variable in the present study. For measuring the job satisfaction level of employees five selected dimension have taken from literature review namely general working conditions, pay and promotional potential, work relationships, use of skills and abilities and overall climate and work culture. Each dimension having 3 and 4 items respectively, such as working conditions have 4 items (e.g. I am satisfied with my working hours), pay and promotional potential with having 4 items (e.g. I have been getting promotion as per my qualification and experience), work relationships have 3 items (e.g. I have satisfactory relation with my supervisor), use of skills and abilities having 3 items (e.g. I have opportunity to utilize my skill and talent in my organization) and overall climate and work culture have 3 items (e.g. organization has taken different steps for facility enhancement of the service to the customers). The reliability was .81.

C. Data Analysis

Objective 1: To identify the dimensions of Organizational Climate and Employee Job Satisfaction.

To identify the dimensions of organizational climate and employee job satisfaction, factor analysis have been applied in the study. It's a multivariate statistical technique in which there is no distinction between dependent and independent variables. In this technique, all variables under investigation are analyzed together to extract the underlined factors. It is a data reduction method which helps to reduce a large number of variables resulting in data complexity to a few manageable factors. These factors explain most part of the variations of the original data set and identify the underlying structure of the data.

KMO and Bartlett's Test of Sphericity for Organization Climate

Table 1

Kaiser Meyer- Olkin (KMO) Bartlett`s Test of Sphericity	.831 Chi-square= 6385.296 Df=210 P=.000 (<.05)
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Source: Computation based on Primary Data

The result of KMO and Bartlett's Test of Sphericity for organizational climate shows that the value of Kaiser Meyer-Olkin (KMO) measure of sampling adequacy value was greater than 0.6 and the Bartlett's test of sphericity was .000(p <.05), which revealed the appropriateness of sample data for conducting factor analysis

Exploratory Factor Analysis for Organizational Climate

Table 2

Variable	Communalities	Percentage of variance explained	KMO	Mean score	Std. Deviation	Factor Loadings	Correlated items correlation	Reliability
Factor 1 : Support								
OC-24	.771	24.707	.916	4.06	1.025	.876	.588	.937
OC-27	.790			3.92	1.016	.871	.683	
OC-26	.792			3.89	.997	.867	.693	
OC-25	.774			3.94	.994	.856	.678	
OC-28	.753			4.00	1.128	.846	.601	
OC-11	.701			4.16	.822	.815	.580	
OC-29	.685			3.60	1.352	.809	.606	
Factor 2: Individual job characteristics								
OC-8	.814	13.405	.692	3.99	.924	.891	.359	.849
OC-9	.712			3.95	.879	.821	.368	
OC-10	.623			4.01	.903	.766	.359	
OC-7	.616			4.15	.926	.758	.309	
Factor 3: Organizational Policy								
OC-19	.784	12.977	.795	3.00	.973	.861	.476	.844
OC-18	.762			4.00	.930	.829	.520	
OC-20	.622			3.68	.986	.747	.466	
OC-17	.660			4.02	.966	.688	.484	
Factor 4: Organizational Design								
OC-3	.831	10.869	.668	1.48	.986	.893	-.148	.810
OC-5	.768			2.00	.684	.875	-.011	
OC-1	.629			2.79	.812	.747	-.153	
Factor 5: Work Relations								
OC-15	.793	10.555	.682	4.20	.807	.875	.330	.785
OC-14	.644			3.99	.908	.780	.307	
OC-16	.704			4.12	.830	.767	.406	

Source: Computed from Primary Data

Factor 1: Support

If a person already working in any organization or has joined recently, he/she needs all-round support as such support of colleagues, superiors and even subordinates. Support includes help of others in case of any kind of difficulties, help by superiors and mutual trust. It explains the 24.70 percent of highest variance with 6.434 Eigen value in the study.

Factor 2: Individual Job Characteristics

Hackman and Oldham (organizational psychologists) developed the job characteristics theory and first introduced it in 1976 research paper "Motivation through the Design of Work: Test of Theory" published in journal entitled "Organizational Behavior and Human Performance, Vol. 16, Issue 2. According to this theory, "job design has an effect on motivation, work performance and job satisfaction". It has served as a framework for management to identify how certain job characteristics affect the outcomes of the job. It describes the relationship between job characteristics and the responses of individuals to work. This factor explains variance of 13.40 percent. Eigen value of this factor is 3.204.

Factor 3: Organizational Policy

Organizational policies include the basis for effecting promotions, transfer of people, foreign assignments, lay off & retrenchment, appraisal and reward system, motivational methods, skill based versus job based pay, and the like. It provides strength and trust for organizational members regarding their work and decisions respectively. This factor explains 12.97 percent variance with Eigen value of 2.407.

Factor 4: Organizational Design

Organizational design is the established pattern of relationships among components or parts of the organization. It includes presence or absence of red-tapism and bureaucracy, departmentalization, delegation of authority, identification of activities and grouping of activities through organizational structure. Organizational design factor explains 10.86 percent of variance and 1.846 Eigen value and give a clear instructions about role and responsibilities, goals and objectives and clear reporting structure.

Factor 5: Work Relations

Work relations refer to the interaction among people employed in a business firm or an individual unit of the firm. The factor includes mutual confidence among members of various departments, confidence in management about their welfare, growth and development, interaction at all levels in the organization. Strong human relations are favorable point for any organization. It explains 10.55 percent variance with 1.337 eigen value.

KMO and Bartlett's Test of Sphericity for Job Satisfaction

Table 3

Kaiser Meyer-Olkin (KMO)	.798
Bartlett's Test of Sphericity	Chi-square=2107.153 Df=66 P=.000 (< .05)

Source: Computed from Primary Data



The KMO and Bartlett's test of sphericity displays higher than 0.6 KMO value and the p value of Bartlett's test is .000 which is less than .05, it shows that factor analysis can be undertaken using job satisfaction dataset.

Exploratory Factor Analysis for Job Satisfaction

Table 4

Variable	communalities	Percentage of variance explained	KMO	Mean score	Std. deviation	Factor loadings	Correlated item correlation	Reliabilities
Factor 1: Work Relationship								
JS-16	.703	22.319	.770	3.61	1.283	.829	.507	.804
JS-9	.702			3.75	1.120	.821	.530	
JS-17	.528			3.56	.999	.716	.449	
JS-10	.566			3.68	1.000	.675	.582	
Factor 2: Pay and Promotion Potential								
JS-4	.739	20.081	.740	3.97	.866	.839	.509	.798
JS-2	.697			4.00	.923	.799	.507	
JS-5	.488			4.00	.855	.644	.441	
JS-6	.643			4.04	.933	.421	.508	
JS-3	.503			4.00	.865	.440	.475	
JS-14	.468			4.01	.972	.438	.416	
Factor 3: Use of Skills and abilities								
JS-8	.695	18.615	.677	3.97	.987	.743	.518	.748
JS-7	.588			3.85	.916	.685	.519	
JS-12	.643			4.02	.933	.682	.508	
JS-11	.503			4.00	.865	.554	.475	
JS-13	.468			4.01	.972	.525	.416	

Source: Computed from Primary Data

Factor 1: Work Relationship

Work relations refer to the interaction of people employed in a business firm or an individual unit. The factor includes mutual confidence among members of various departments, confidence in management about welfare and growth, interaction at all levels in the organization. Strong human relations are favorable point for any organization. It explains 22.31 percent variance with 4.371 Eigen value.

Factor 2: Pay and Promotion Potential:

Pay and promotion opportunities affect job satisfaction considerably and explain 22.08 percent variance with 1.854 Eigen value in the study. The desire for promotion is generally strong among employees as it involves change in job content, pay, responsibility, independence, status and the like. It is no surprise that the employee takes promotion as the ultimate achievement in his career and when it is realized, he feels extremely satisfied.

Factor 3: Use of Skills and Abilities:

Skills are the expertise or talent needed in order to do a job. Skills make employee independent and confident in his work life, which is the essential to getting success. Ability is the possession of the qualities required to do something or get something done. Proper utilization of skills and abilities make work easy and provide great satisfaction to employees. Factor explains 18.61 percent variance with 1.150 Eigen value.

Objective 2: Relation between Organizational Climate and Employee Job Satisfaction.

H01- There is no significant relation between organizational climate and employee job satisfaction.

Correlation test run to test the association of organizational climate with employee job satisfaction. Hypothesis was tested through the Pearson correlation.

**Table 5
Correlation**

Variables	OCT
JST	.60**

** Significant at the .01 level; OCT-Organizational Climate Total, JST-Job Satisfaction.

Source: Computed from Primary Data

Interpretation:

Above table represents a significant, relationship between Organizational climate (OC) and job satisfaction (on over all basis) with calculated correlation value $r = .60^{**}$ ($p < .01$ level).

Pearson's Correlation between Organizational Climate and Employee Job Satisfaction

Table 6

Variables	Pay and promotion Potential	Work Relationship	Use of skills & abilities
Organizational design	.51**	.51**	.61**
Individual job characteristics	.43**	.41**	.52**
Work Relations	.49**	.50**	.52**
Organizational policy	.46**	.51**	.61**
Support	.47**	.45**	.55**

**Correlation is significant at the .01 level.

Source: Computed from Primary Data

Interpretation:

Organizational design showed a positive and significant correlation with dimensions of job satisfaction (pay and promotion potential, work relationship and use of skills & abilities) with the calculated r value as .51**, .51** and .61** ($p < .01$ level), respectively. Individual job characteristics has also found to be significantly correlated with pay and promotion potential, work relationship and use of skills & abilities with the calculated r value as .43**, .41** and .52** ($p < .01$ level), respectively. Work relations has yielded positive and significant relationship with the dimensions of job satisfaction, as the correlation was highest with use of skills and abilities as $r = .52^{**}$ ($p < .01$ level), followed by pay & promotion potential and work relationship $r = .49^{**}$, $r = .50^{**}$ ($p < .01$ level), respectively.

Further, organizational policy has also yielded significant relationship with the dimensions of job satisfaction. In fact, the correlation was highest with use of skills and abilities with $r = .61^{**}$ ($p < .01$ level), followed by pay and promotion potential, work relationship, use of skills & abilities with calculated $r = .46^{**}$, $.51^{**}$, $.61^{**}$ ($p < .01$ level), respectively. Support has also yielded significant relationship with the dimensions of Job satisfaction. The correlation values for pay and promotion potential, work relationship and use of skills & abilities are $.47^{**}$, $.45^{**}$ and $.55$ ($p < .01$ level), respectively.

6. CONCLUSION

The present study examined the relationship between organizational climate and employee job satisfaction. The findings postulate that organizational climate is an important factor, playing a large role in whether or not the organization is a happy and healthy place to work. A good climate encouraged to subordinates for accomplish the mission and objectives assigned by the organization, which in turn enhances job satisfaction. Research results confirmed that organization design, individual job characteristics, work relations, organizational policy, reward and support, grievance handling and empowerment are core factors influencing job satisfaction of the employees and employee's satisfaction is one of the most important factor for making employees and organization stable.

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